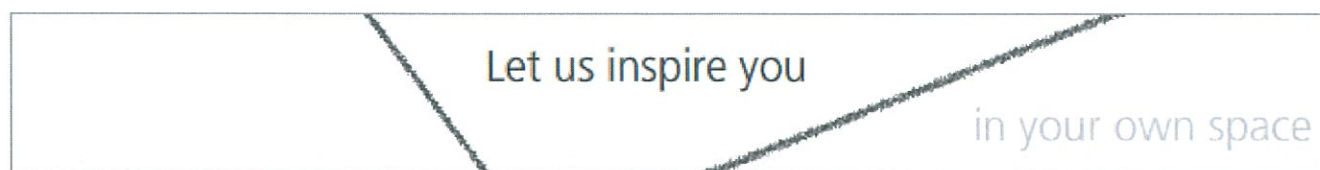


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More Foreclosure Irregularities Alleged in Maryland

By Jamie Smith Hopkins, The Baltimore Sun

March 09--Prosecutors have launched an investigation into a complaint that more than 1,000 deeds for homes foreclosed upon in Maryland were improperly executed -- the latest development suggesting widespread problems in the way foreclosures have been handled in the state.

The complaint, filed last week by a paralegal formerly employed by the Shapiro & Burson law firm, lays out allegations that attorneys who were supposed to be signing deeds and key foreclosure paperwork for Maryland properties instead instructed others to falsify their signatures on the documents.

"We're looking at this case very closely," said Ramon V. Korionoff, chief of staff to the Prince George's County state's attorney, whose office is investigating. "It's very troubling."

John Burson, who is managing partner of Virginia-based Shapiro & Burson and was named in the complaint, declined to comment.

The validity of foreclosure proceedings in Maryland has been thrown into doubt by falsified signatures, "robo-signing" of affidavits and other documentation problems that have come to light in recent months. The revelations prompted Maryland courts to approve emergency rules. Some of the problems were discussed at a congressional field hearing in Baltimore Tuesday.

State regulators said this week that they also have received complaints about alleged foreclosure-documentation problems at the Baltimore law firm of Friedman & MacFadyen. Four notaries employed there resigned their commissions earlier this year after inquiries from the Maryland secretary of state's office, according to the agency.

Lawyers at the firm did not return phone calls and e-mails seeking comment.

A total of 16 notaries at several firms since last summer either have stepped down, were stripped of their commissions or let them lapse after complaints that the workers falsely attested to witnessing specific attorneys sign foreclosure documents, the secretary of state's office said. An additional nine cases are pending.

The complaint regarding improperly signed deeds at Shapiro & Burson, sent in the form of an affidavit to both regulators and law-enforcement agencies, represents a new wrinkle in botched foreclosure processes because deeds are essential to establishing a chain of ownership on property.

The Maryland attorney general's office said it couldn't comment on specific cases, but deeds with false signatures "would raise concerns," said spokeswoman Raquel M. Guillory.

"It's a big deal when deeds don't have the correct signature on them because the deed is a forgery," said attorney Phillip Robinson, executive director of Civil Justice, a nonprofit group in Baltimore that has filed suit against mortgage servicers to get them to drop foreclosure cases with improper documentation.

Charlene Perry, who specializes in foreclosure title work as vice president of Preferred Title Group Inc. in Baltimore, calls a deed with a false signature "a huge problem" that could come back to haunt a later

homeowner if it is challenged. Most homebuyers purchase title insurance, so it would be up to the insurer to pay for their legal defense, she said.

"I don't think the consumer at the end of the day is going to lose. But they're going to lose sleep," said Perry, who has worked in the title industry for more than 25 years. "They're going to be on pins and needles: 'Do I own my home?'"

The financial consequences of foreclosure irregularities in Maryland and nationwide have made title agents nervous, she added. She said she's seen many variations in signatures that gave her pause. "I think our industry is going to take a huge hit in terms of claims," she said.

The documentation in foreclosure cases was thrown into doubt last year when attorneys at two large Maryland law firms admitted that their signatures on hundreds of cases had not in fact been made by them.

Two major mortgage servicers then dropped some foreclosure cases in the state, following nationwide revelations that employees were "robo-signing" hundreds of affidavits a day to foreclose on homes without knowing if the information was accurate.

The Maryland court system passed emergency rules in October to stamp out both practices -- and to give judges the power to haul parties into court to explain themselves if documentation or signatures seem awry.

The complaint against Shapiro & Burson was filed by Fairfax resident Jose Portillo, 42, a notary who worked for the firm as a paralegal for nearly three years. He said he decided to file a complaint against his former employer after he and about 10 co-workers were laid off in February. He met with Civil Justice to offer information he thought would be helpful in the group's foreclosure litigation work and then prepared the affidavit last week.

Portillo worked for several real estate settlement companies before going to Shapiro & Burson in 2008, as real estate closings slumped and foreclosures soared. He alleged in his affidavit -- with examples of deeds attached -- that an attorney who was not employed by the firm regularly came to the office to sign a Shapiro & Burson lawyer's name to deeds.

Portillo alleged that about three-quarters of the deeds in his department were handled this way, or more than 1,000 in total -- recorded in every county in Maryland for a variety of lenders.

A manager falsified another Shapiro & Burson lawyer's signature on both deeds and foreclosure affidavits, saying the lawyer had authorized it, Portillo alleged.

Then all these documents were notarized as if they had been properly signed and witnessed, his complaint alleges.

"We were instructed to leave the stacks of deeds and affidavits for them to be reviewed at a later time, and someday down the road they would be reviewed and signed, and they would be returned to us to notarize," Portillo said in an interview this week. "As notaries, we're supposed to [watch] the person signing the instrument. We really were not allowed to do it that way."

Only last fall, as the robo-signing scandal gained momentum, did the firm change its procedures so documents were properly signed and notarized, he said.

He described a boiler-room atmosphere, much like that at mortgage companies during the housing bubble, in which employees were overwhelmed with work. He said his shift regularly stretched into 12- and 13-hour days. Employees in another department handling foreclosure sales sometimes stayed until 4 a.m., he said.

Portillo said he knows he is putting his Virginia-issued notary commission at risk by acknowledging that he improperly notarized documents. He said he decided to complain because it upset him that the firm laid off employees who followed instructions, while those who gave those instructions are still on staff. He said he hopes regulators see mitigating reasons to excuse his own notary violations.

"It was implied that my job was at stake," said Portillo, who had already gone through a five-month stretch of unemployment in 2007 after settlement work dried up. "I know what I saw, and I have no qualms testifying and reaffirming my affidavit."

The foreclosure crisis has hit Maryland hard. Congressmen on the House Committee on Oversight and Government Reform came to the University of Maryland School of Law Tuesday to hear testimony about the ripple effect.

Mayor Stephanie Rawlings-Blake said that more than one-third of city neighborhoods have had foreclosures on over 5 percent of homes, and that many areas have been "imperiled" as a result.

A state regulator said his office is flooded with complaints from homeowners about mortgage servicers who are supposed to be considering them for loan modifications, but who at the same time are trying to foreclose on them.

A Baltimore homeowner and an Iraq war veteran, Kevin Jerron Matthews, testified that his servicer disregarded the loan-modification rules for the VA loan he had, locked his family out of their house without the necessary court order, and then damaged the property by not properly winterizing it.

"I am here ... to ask of each of you that you assist not only me but the tens of thousands of homeowners throughout this country to receive the equal protection of the law and rights to due process that are guaranteed to each of us by that very same Constitution that I was asked to defend," said Matthews, whose foreclosure case was handled by one of the firms that later admitted to false signings.

Robinson of Civil Justice, who represents Matthews, sees the potential for long-lasting problems rippling outward from various foreclosure irregularities. Beyond the damaging impact every foreclosure has on the neighborhood, nearby home values and local tax collection, those that weren't handled properly could mean headaches for new owners.

"We're going to be cleaning up this mess for a long time," he said.

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